

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 879 - SB 1085

February 26, 2023

SUMMARY OF BILL: Authorizes housing authority-related entities to enter into agreements with each other to pool their financial and administrative resources to provide the participating entities risk management, insurance, reinsurance, self-insurance, or any combination for liability or insurability.

FISCAL IMPACT:

Other Fiscal Impact – The proposed legislation would result in an estimated permissive, recurring decrease to expenditures exceeding \$1,200,000 for low-income housing tax credit entities associated with housing authorities, beginning in FY23-24. Such entities are considered public-private partnerships; therefore, a precise decrease to state or local expenditures cannot be quantified.

Assumptions:

- The proposed legislation would authorize a housing authority-related entity in a mixed-finance project to form a self-insurance pool, if the housing authority with which the entity is related has formed partnerships, limited liability companies, or other entities in which a housing authority, or an entity affiliated with the authority, is a general partner, managing member, or otherwise participates in the activities of the housing authority-related entity.
- Based on information provided by the Tennessee Association of Housing and Redevelopment Authorities (TAHRA), the proposed legislation would result in a decrease to local expenditures for insurance coverage for low-income housing tax credit (LIHTC) developments associated with housing authorities.
- The LIHTC program is a public-private partnership that provides credit against federal income tax liability for owners and investors in low-income rental housing.
- According to the TAHRA:
 - There are currently approximately 2,400 housing units in housing authority-related LIHTC entity ownership;
 - The average commercial premium for a 100-unit property is \$100,000, resulting in a total expenditure of \$2,400,000 for premiums [(2,400 units/100-unit property) x \$100,000 premium];
 - It is estimated that a pooling arrangement would cover at least 50 percent of the premium; and

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- The number of housing units in LIHTC entity ownership is expected to increase at a rate of 200 units per year.
- It is estimated that the proposed legislation would result in a permissive decrease to LIHTC entity expenditures exceeding \$1,200,000 (\$2,400,000 premium x 50%) in FY23-24 and subsequent years.
- Due to LIHTC entities being a public-private partnership, a precise impact to state or local expenditures cannot be quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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